

~~SECRET~~

~~OUTGOING~~ b3

b3
IMMEDIATE

FRP:

STAFF

[REDACTED] b3

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b1
b3 BRIEF 150414Z
TO: IMMEDIATE ROUTINE MEA BRIEF. b3

WNHTEL [REDACTED]

b3 [REDACTED]

SUBJECT: MIDDLE EAST BRIEF [REDACTED] FOR 15 DECEMBER 1987. b3

FROM: DDI/O/CPAS.

ITEMS

1. OPEC: CURRENT AGREEMENT EXTENDED
2. [REDACTED]
3. [REDACTED]
4. IN BRIEF

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b1, b3

1. OPEC: CURRENT AGREEMENT EXTENDED

OPEC ENDED ITS SIX-DAY MEETING YESTERDAY WITH 12 OF 13 MEMBERS
AGREEING ONLY TO EXTEND THE CURRENT ACCORD UNTIL JUNE. [REDACTED] b3

IRAQ REMAINED OUTSIDE THE AGREEMENT BECAUSE IT WAS DENIED A
QUOTA EQUAL TO IRAN'S. A DEMAND FROM IRAN FOR AN IMMEDIATE INCREASE
IN THE OFFICIAL PRICE OF CRUDE TO \$20 PER BARREL WAS REJECTED, BUT
IT WAS AGREED THAT OPEC WOULD ADDRESS THE PRICING ISSUE AT THE NEXT
SCHEDULED MEETING IN JUNE. YESTERDAY, SPOT PRICES FOR NORTH SEA

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- Approved for Release
- Date JUN 1999

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[REDACTED] b3 BRENT FELL BY NEARLY A DOLLAR TO \$16.75 PER BARREL ON THE NEWS THAT OPEC WAS LIKELY TO EXTEND THE CURRENT AGREEMENT. [REDACTED] b3 b3

b3 [REDACTED] THE EXTENSION OF THE AGREEMENT REFLECTS A LACK OF CONSENSUS WITHIN THE CARTEL THAT MIGHT LEAD TO FURTHER PRICE EROSION. OPEC FAILED TO AGREE TO CURTAIL OUTPUT--CURRENTLY ABOUT 19 MILLION BARRELS PER DAY--DURING PERIODS OF WEAK SEASONAL DEMAND. DEMAND FOR OPEC OIL IN THE FIRST QUARTER OF 1988, FOR EXAMPLE, MAY BE AS MUCH AS 2 MILLION B/D BELOW CURRENT PRODUCTION LEVELS, WHICH WILL PUT CONSIDERABLE DOWNWARD PRESSURE ON PRICES IF MEMBERS TRY TO SUSTAIN OUTPUT. [REDACTED] b3

THERE ARE FEW INDICATIONS THAT MEMBERS ARE WILLING TO TRIM PRODUCTION. INDEED, SAUDI ARABIA APPEARS INTENT ON MAINTAINING ITS MARKET SHARE, AND INDONESIA AND NIGERIA ARE PLANNING TO INCREASE THEIR OUTPUT IN COMING MONTHS REGARDLESS OF THE OUTCOME OF THE MEETING. RIYADH PROBABLY WOULD BE WILLING TO REDUCE OUTPUT SOMEWHAT TO SUPPORT PRICES BUT WILL NOT YIELD TO PRESSURE FROM OTHER MEMBERS TO RESUME THE ROLE OF LONE SWING PRODUCER. MOREOVER, SAUDI ARABIA HAS YET TO TAKE STEPS TO PRESS KUWAIT AND THE UAE--TWO OF OPEC'S BIGGEST OVERPRODUCERS--TO CUT OUTPUT. [REDACTED] b3

THE IRANIAN PETROLEUM MINISTER RETURNED HOME FOR CONSULTATIONS DURING THE MEETING, REFLECTING TEHRAN'S UNCERTAINTY ABOUT HOW TO REACT TO OPEC'S REJECTION OF ITS DEMAND. TEHRAN PROBABLY SIGNED THE ACCORD DESPITE SOME RELUCTANCE BECAUSE IT FEARED THAT FAILURE TO REACH AN AGREEMENT WOULD FURTHER DEPRESS PRICES. TEHRAN WILL PROBABLY TRY TO INTIMIDATE GULF PRODUCERS INTO LOWERING THEIR OUTPUT AND SUPPORTING PRICES IN THE NEAR TERM, BUT ITS LEVERAGE IS LIMITED. [REDACTED] b3

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OUTGOING MESSAGE

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4. IN BRIEF

MIDDLE EAST

-- ~~REDACTED~~ HIZBALLAH INVOLVED IN NAVAL ACTION OFF SOUTHERN LEBANON COAST THURSDAY . . . PROBABLY BRACING FOR RETALIATION, POSITIONING FOR FUTURE ATTACKS. ~~REDACTED~~ b3

SOUTH ASIA

--INDIA, PAKISTAN AGREED TO INCREASE AGRICULTURAL COOPERATION, TRANSPORTATION, COMMUNICATION LINKS . . . BOTH SIDES TO IDENTIFY AREAS FOR EXPANDED TRADE . . . DESPITE COOPERATIVE ATMOSPHERE, NO SIGNIFICANT INCREASE IN BILATERAL TRADE LIKELY. ~~REDACTED~~ b3

AFRICA

--KENYAN POLICE AND UGANDAN MILITARY FORCES CLASHED AT BORDER YESTERDAY . . . FIVE UGANDANS KILLED, ~~REDACTED~~ . . . CONFLICT PROBABLY INITIATED BY LOCAL COMMANDERS, LIKELY TO BE PLAYED DOWN BY OFFICIALS IN NAIROBI AND KAMPALA. ~~REDACTED~~ b3

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